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SUBJECT: Turkish Agriculture, Trade and EU Membership

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11. (SBU) Summary. AgCounselor recently met with representatives from International Organizations including the World Bank and FAO as well as with local EU officials to discuss the current state of Turkish agriculture and agricultural trade. These representatives expressed frustration with Turkish agriculture officials and the slow rate of reform in the agriculture sector. EU Ag officials also noted several problems including an import-licensing regime that continues to inhibit EU exports to Turkey. Given the recent elections, it is too soon to make any forecasts about the future of Turkish agriculture policy, most officials do not expect any radical changes in the agriculture sector, primarily due to the lack of financial resources. On the trade side, foreign officials felt that the new government would be somewhat more protectionist towards agricultural imports. End Summary.

Turkish Agriculture - One of Extremes

12. (SBU) Turkish agriculture ranges from modern state-of-the-art operations to ones that seem to be right out of the 19th century. One EU official commented that parts of the Turkish countryside resembled the "times of the prophets" and that it would take years (and deep financial pockets) before Turkey could truly modernize the majority of this sector. The lack of domestic financial resources combined extremely low direct foreign investment in the ag sector will make this task extremely difficult. Corruption is also a factor affecting Turkey's reputation and ability to attract foreign investment. Too many decisions are made by Turkish officials with their own personal interests in mind. Ag Counselor was told one example in which a high-ranking Turkish official with ties to a French company changed the bidding criteria for cattle tags (required under EU regulations) making it all but certain that only the French company would be able to comply with the bid's requirements.

13. (SBU) Most officials noted that the level of support for Turkish farmers has only slowed any reform process. Having come to depend on this support, Turkish farmers are reluctant to adapt to market conditions. The hazelnut industry is a good example of a crop that is overproduced, supported by the government and with no market.

Concerns With New Ag Policy

14. (SBU) Foreign officials working have been looking at the new government's agriculture platform in the hopes of getting some insight into Turkey's agriculture future. In general, most do not believe that there will be major changes in Turkey's policies. It would appear that the new government may want to provide more assistance to smaller farmers. The World Bank has been implementing a direct support program over the past year, which they feel has been quite successful. Unfortunately, the new government has stated that they will try to redirect the World Bank-backed direct support program and would focus more on low-income farmers, something which worries World Bank officials.

15. (SBU) At recent meetings with Turkish trade and agriculture officials, AgCounselor was told that Turkey would seek to boost domestic agricultural production with the goal of becoming more self-sufficient. With such a large portion of the Turkish population still living in

rural areas (40 percent), engaged in agriculture, and suffering with extremely low wages, the new government may seek to provide these people with some additional assistance.

Turkish-EU Agriculture Discussions and Reforms Will be Slow

16. (SBU) Although formal accession negotiations have not begun, Turkey does qualify for some EU pre-accession agriculture funds. However, this support has been primarily targeted at upgrading Turkey's Customs, phytosanitary and veterinary sectors as well as food safety, in order to ensure that food products will meet EU standards. Overall reform of the agriculture sector has been left to the Turkish government to finance. Interestingly, Turkey does not receive Sapard funds which have been available to other EU member candidates. Instead Turkey receives assistance from a Middle East and North African fund. Turkish officials have noted that this is another example of Turkey not being considered a serious candidate country by the EU. On the other hand, a Turkish economist involved in this process stated that Turkey must press harder for access to EU resources and that Turkish agriculture officials must commit the country to changing its agriculture system. based on his record as Foreign Trade Under Secretary in the previous GOT,

17. (SBU) One EU official compared Turkey to Poland in terms of the size of its agriculture sector as well as the problems it faces. EU officials noted that they are having a difficult time with the lack of transparency in Turkey's legal and regulatory systems. Too often, despite the existence of published laws, many regulations are in reality, governed by internal memoranda. This makes life extremely difficult for foreign companies that find they are in violation of an unpublished internal document, often after the fact.

Trade Barriers Abound

18. (SBU) EU officials also expressed frustration with Turkey's approach to trade. Although it does not concern to agriculture, this frustration has reached such a high level that EU officials have cancelled meetings to discuss the Turkish-EU custom union. On an issue that U.S. officials are quite familiar, the Turkey's import licensing regime are a constant source of friction between the EU and Turkey. From time to time "Unofficial" bans are introduced for many sensitive imports which are unannounced and which cause many headaches for EU, as well as U.S., exporters.

19. (SBU) EU officials are not hopeful that the new government will take steps to rectify this situation. For example, they believe that the new State Minister for Foreign Trade, Kursat Tuzmen, will be much more protectionist and unwilling to engage in any sort of dialogue on trade issues, based on his previous record as Foreign Trade Under Secretary under the previous Turkish government. The EU believes it should be exporting substantially more to Turkey than it does presently. They attribute this phenomenon to problems connected to import licensing as well as phytosanitary issues. The ban on EU beef is particularly grating for EU officials. Extremely high tariff rates also preclude market access to Turkey.

Summary: U.S. and EU, Some Common Issues

10. (SBU) The problems facing EU - Turkish trade relations are very similar to those faced by the United States. However, despite the many problems and frustrations expressed by the EU officials, there was a sense that they would continue to work with Turkey and, that eventually, Turkey would qualify for membership. At the very least, the condition of Turkey's ag sector would not prevent it from becoming an EU member. Nonetheless, the process will be very long and EU officials would not venture an estimate when Turkey's agriculture sector would be ready to join the EU. In addition, EU officials expressed some displeasure with what they considered U.S. pressure in support of Turkish membership.

Pearson